

Message Text

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E.O. 11652: N/A
TAGS: EFIN, NO
SUBJECT: NEW PRICE REGULATIONS REPLACE FEBRUARY PRICE FREEZE

1. THE GON ON JUNE 23 ANNOUNCED NEW TEMPORARY PRICE REGULATIONS TO REPLACE THE PRICE FREEZE INTRODUCED FEBRUARY 17 SIMULTANEOUSLY WITH ITS 8 PERCENT DEVALUATION OF THE NORWEGIAN KRONE. BY AND LARGE THE NEW PROVISIONS REPRESENT A CONTINUATION OF THE RULES CONTAINED IN THE FEBRUARY PRICE FREEZE; THE NEW REGULATIONS, HOWEVER, PERMIT IMPORTERS TO INCORPORATE PRICE INCREASES ON IMPORTS IN THEIR SELLING PRICES. THE MAIN PROVISIONS OF THE NEW PRICE REGULATIONS ARE:

(A) PRODUCERS, SERVICE FIRMS AND OTHER OCCUPATIONAL GROUPS EXCEPT TRADING FIRMS ARE NOT PERMITTED TO CHARGE HIGHER PRICES THAN THOSE LEGAL ON JUNE 10, 1978. PRODUCERS MAY CONTINUE TO RECOVER IN THEIR PRODUCT PRICES ANY COST INCREASES IN RAW MATERIALS SEMI-FINISHED MATERIALS AND OTHER INPUT GOODS, AND SERVICE FIRMS MAY RAISE THEIR PRICES AS NECESSARY TO COVER INCREASES SINCE FEBRUARY 10,
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1978 IN THE COSTS OF MATERIALS INCLUDED IN THE SERVICE.

(B) TRADING FIRMS INCLUDING IMPORTERS, WHOLESALERS AND RETAILERS, ARE NOT PERMITTED TO CHARGE HIGHER GROSS PERCENTAGE PROFITS THAN WAS LEGALLY CHARGED ON FEBRUARY 10, 1978.

(C) PRODUCERS WHOSE GROSS TURNOVER, VALUE ADDED TAX EXCLUDED, EXCEEDED 10 MILLION (\$1.9 MILLION)

IN 1977 CAN NOT RAISE THEIR PRICES UNTIL THE GOVERN-
MENT'S LOCAL PRICE CONTROL OFFICE HAS BEEN NOTIFIED.

(D) IMPORTERS WITH A TOTAL TURNOVER, VALUE ADDED TAX
EXCLUDED, EXCEEDING 10 MILLION KRONER IN 1977 MUST
REPORT CHANGES IN THEIR NET PRICES AND GUIDELINE PRICES
TO THE LOCAL PRICE CONTROL OFFICE.

(E) EXEMPTED FROM THE GENERAL PRICE REGULATIONS ARE GOODS
FOR EXPORT, TRANSPORT SERVICES TO AND FROM NORWAY, FIRST-HAND
SALES OF AGRICULTURAL PRODUCTS AND FISH, AND SALE AND
LEASING OF NON-RESIDENTIAL REAL ESTATE.

(F) CHARGING OF HIGHER RATES FOR WAGES, SOCIAL COST, ADMI-
NISTRATION PROFITS, ETC. OR HIGHER HOURLY PRICES OR
UNIT PRICES THAN WERE CHARGED AS OF FEBRUARY 10, 1978.
FOR BUILDING AND CONSTRUCTION WORK AND FOR SERVICES
WHERE THE REMUNERATION IS STIPULATED ACCORDING TO
INDIVIDUAL CALCULATIONS CONTINUES TO BE PROHIBITED.

2. COMMENT: THE NEW PRICE REGULATIONS THUS CONTINUE TO
PROHIBIT THE MAJORITY OF INDUSTRY AND TRADE FROM AUTO-
MATICALLY RAISING PRICES ON GOODS AND SERVICES TO
COMPENSATE FOR INCREASED WAGE AND SALARY COSTS, INCLUDING
COSTS FOR SICK BENEFITS. THIS PROVISION IS UNDER HEAVY
CRITICISM FROM INDUSTRY AND TRADE CIRCLES WHICH CONTEND
THAT THE MAJORITY OF FIRMS CANNOT BE EXPECTED TO ABSORB
AN ANTICIPATED 8 PERCENT WAGE INCREASE IN 1978
WITHOUT AN OFFSETTING INCREASE IN THE PRICES OF GOODS AND
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SERVICES.
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